



Judicial Council of California

Administrative Office of the Courts

Trial Court Financial Policies and Procedures

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INTERNAL CONTROLS

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Internal Controls

1.0 Purpose

The purpose of this policy is to establish the minimum standards of internal control for the trial court to use as a reference in forming organization plans, implementing procedures and controlling accounting records.

2.0 Policy Statement

1. It is the policy of the trial court to maintain effective internal control systems as an integral part of its management practices. The trial court will continuously monitor and evaluate internal control systems for the purpose of strengthening existing operational, administrative and accounting controls.
2. This policy recognizes that the objective of an internal control system is to minimize the court's financial risks and provide reasonable, but not absolute, assurance that court assets are properly safeguarded. The benefits of such a system should be greater than its cost.

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4.0 Application

This procedure applies to all trial courts of California including their employees and agents.

5.0 Definitions

1. **Accountability.** An obligation to explain one's actions, to justify what one does. The court is held accountable for, or is required to justify, its expenditure of public resources and the purposes for which they are used.
2. **Accounting System.** The methods and records established to identify, assemble, analyze, classify, and record transactions; thus maintaining accountability for the court's related assets and liabilities.
3. **Control Environment.** The cumulative effect of factors including management style, organizational structure, delegation of authority, control methods, internal audits, personnel guidelines, and others that establish and enhance the effectiveness of specific policies and procedures.
4. **Fiscal Officer.** A person who provides daily oversight on how the funds are spent and managed. This oversight includes ensuring funds are budgeted, where appropriate, that they are spent according to fiscal policy, that funds are spent in alignment with the account purpose, that processes and controls are in place, that the account is reconciled on a monthly basis, and that either the expenditures are in conformity with the budget, or appropriate budget changes have been made to reflect a change in the original budget.
5. **Internal Controls.** The plan of organization and all the methods and measures used by the court to monitor assets, prevent fraud, minimize errors, verify the correctness and reliability of accounting data, promote

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operational efficiency, and ensure that established managerial policies are followed.

6.0 Text

6.1 Purpose of Internal Controls

1. As a public institution, the trial court must maintain the highest standard of ethics and level of integrity to inspire public confidence and trust in the court system. Moreover, trial court operations include handling large sums of money on a routine basis. The risks associated with such operations are apparent. The court must not only protect its assets from potential acts of impropriety, but must also protect its reputation and those of its employees from negative public perceptions.
2. An effective system of internal controls minimizes the court's exposure to risks and negative perceptions. A properly designed, implemented, and continuously monitored system of internal controls protects court assets and resources by reducing or eliminating opportunities for individuals to commit and conceal errors or fraudulent acts.

6.2 Benefits of an Effective System of Internal Controls

1. An effective system of internal controls protects the court's assets and reputation. It also promotes efficiency and instills confidence in the court's ability to properly manage its operations.
2. Specific examples of benefits that can be derived from an effective system of internal controls include:
 - a. Execution of transactions according to management's authorization.
 - b. Proper accounting for and maintenance of court assets.

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- c. Accurate and reliable court financial and statistical records and reports.
 - d. Court compliance with all applicable laws, rules, regulations and internal policies and procedures.
 - e. Court accountability for public resources.
 - f. Passing internal or external audits conducted by trial court staff, federal/state/county/public agencies, and other entities (or their contractors).
 - g. A lower risk of media scrutiny.
3. Other more general examples of the benefits provided by an effective system of internal controls include:
- a. Efficient and effective resource management.
 - b. Protection of court assets from unauthorized access, misuse or theft.
 - c. Prevention of employees engaging in high-risk activities, committing errors, or concealing irregularities without management detection.
 - d. Efficient performance of daily duties because employees follow clear and concise management guidelines.
 - e. Employees are responsible and accountable because roles and responsibilities are understood.
 - f. Increased employee morale because court operations are based on high ethical and professional standards that inspire confidence.
4. Benefits to the court are not limited to the examples listed above. Each trial court may have a unique control environment. Derived benefits will be specific to these control environments. Ultimately, the most important outcome of an effective system of internal controls is

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that management can be reasonably assured that its objectives will be achieved.

6.3 Key Elements of an Effective System of Internal Controls

1. To be effective, the system of internal controls must be an integral part of court management practices. It covers all aspects of the court's operations from the overall planning of the court organization to the implementation of specific operating and administrative procedures.
2. The components of an effective system of internal controls include, but are not limited to, the following:
 - a. Appropriate segregation of duties (checks and balances)
 - b. Comprehensive policies and procedures
 - c. Competent personnel
 - d. Continuous supervision
 - e. Controlled access to assets
 - f. Proper authorization and documentation
 - g. Sufficient internal review
 - h. Leave coverage for all employees with fiscal duties

6.3.1 Appropriate Segregation of Duties

1. An organization plan should be established that provides for an appropriate segregation of duties that safeguards trial court assets. Segregation of duties is based on the concept that no one individual controls all phases of an activity or transaction.
2. When there is not an appropriate segregation of duties, the greatest risk is that unintentional errors are not caught because the scope of employee duties is too broad. Segregation of duties

provides for a built-in system of checks and balances that is designed to catch and correct errors.

3. Another important objective is to eliminate or minimize opportunities to conceal errors and irregularities. How this is accomplished depends largely on the size and organization of the court and on the way work is assigned to court employees.
4. Whenever possible, key duties and functions should be assigned to separate employees to minimize the risk of impropriety and establish a system of checks and balances. If segregation of duties cannot be achieved due to staffing limitations, court management must apply alternate control methods to mitigate the risks. For example, if one individual is handling all phases of the cash collection process (i.e., collecting cash, preparing bank deposits and updating the case files), then additional review and reconciliation of the case files by supervisors or higher levels of management should be performed on a routine basis. The controls that are implemented should be documented in a memorandum to the court's files.

6.3.2 Comprehensive Policies and Procedures

1. The court shall establish and maintain published policies and procedures for court employees to follow in performing their duties and functions.
2. As long as they fall within the guidelines established in this manual, the court may adopt additional state, county, or internally developed financial policies and procedures that are applicable to its operations. Such policies and procedures should address internal controls, responsibilities, accountability for court assets, recording and reporting of financial transactions and maintenance of court records.

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3. Alternative procedures must be documented, incorporated into the local trial court manual, and distributed to court personnel. However, any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual, or your county's policy document, must be approved by the AOC prior to its implementation. Alternative procedures will be reviewed by the AOC's Internal Audit and Trial Court Fiscal Services units. Undocumented procedures or those not approved by the AOC will not be considered valid for audit purposes.

6.3.3 Competent Personnel

1. The court shall require a high degree of competency and integrity from all of its employees. A competent staff is able to accomplish its assigned duties, which enables court management to achieve its goals.
2. Employee competence should be enhanced through a combination of education, experience, and training.

6.3.4 Supervision

1. Court management shall provide appropriate supervision of court employees to assure that approved procedures are followed.
2. The court shall ensure that all employees apply due care and diligence in the daily performance of their duties.
3. Court management shall ensure that the reporting hierarchy between employees and supervisors is well defined. Supervisors shall be held responsible for their own actions as well as the actions of their subordinates.

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6.3.5 Controlled Access to Assets

The court shall limit access to its assets to authorized personnel who require these assets to perform their assigned duties. Access includes both direct physical access and indirect access such as preparing and processing documents authorizing transactions that impact court resources.

6.3.6 Proper Authorization and Documentation

1. The court shall establish a system of authorization to provide effective management control over its assets, liabilities, revenues and expenditures. The specific levels and scope of authority of executives, managers, supervisors, and staff, with dollar limits where appropriate, must be established and documented. That documentation shall be provided to applicable court, county, and accounting service provider personnel for reference.
2. When processing transactions, evidence of authorization shall be maintained in the accounting files to document that:
 - a. Proper authorizations are obtained.
 - b. Authorizations are issued by court employees acting within the scope of their authority.
 - c. Transactions conform to the terms of the authorizations.

6.3.7 Sufficient Internal Review

1. The court shall establish an effective system of internal review to ensure that all financial transactions are properly and accurately recorded and reported.

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2. An effective system of internal review includes, but is not limited to, the following:
 - a. Transaction balancing such as preparing and comparing batch totals against transaction details.
 - b. Verifying system records against original records.
 - c. Independent review and approval of transactions by supervising or managing personnel.
 - d. Periodic (not less than monthly) reviews of applicable accounting records (relating to budgets, cash flow, timekeeping, payroll, procurement, cash collection, etc.) against original entries for accuracy.
 - e. Periodic management review of actual expenditures and revenues against budget items for propriety and reasonableness.

6.4 Minimum Internal Control Standards

This section provides minimum internal control standards that the court shall apply to (1) define its organizational boundaries, (2) monitor and control its fiscal operations; and (3) maintain accountability for, protect and report its resources. The court shall continuously assess its system of internal control against these minimum standards. Areas of weakness must be corrected or, if impractical or cost prohibitive, be properly documented and reported.

6.4.1 Organizational Structure

1. **Control Objectives.** To build a solid foundation upon which trial court management and employees can operate efficiently and be held accountable for their performance.

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2. Requirements. The court shall:

- a. Maintain a current organization chart with clear reporting hierarchies.
- b. Maintain current job descriptions to define the duties and responsibilities of court employees.
- c. Define and document the scope and dollar level of authority for all staff, supervisors, managers and executive officers.
- d. Provide documentation of authority to commit court resources to the court, county, and/or accounting service providers that process transactions for reference.
- e. Encourage all employees who handle accounting and procurement records to take vacation at least once a year. Require another employee to handle the vacationing employee's duties during that time.

6.4.2 Segregation of Duties

1. **Control Objectives.** To eliminate or minimize opportunities for errors to go undetected or for any court employee to conceal errors or commit acts of irregularity.
2. **Requirements.** Work should be assigned to court employees in such fashion that no one individual can control all phases of an activity or a transaction. The following duties shall not be assigned to only one individual:
 - a. Authorizing an expenditure and recording the transaction in the accounting system.
 - b. Approving a purchase requisition and performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order) or using the purchase card to pay for the transaction.

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- c. Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order) and approving or processing the invoice for payment.
 - d. Performing the purchasing function (choosing the vendor, deciding on the price, issuing the purchase order), performing accounts payable, authorizing vendor payment, or processing accounts payable, and maintaining the vendor master file (establishing new vendors and updating vendor information).
 - e. Receiving cash and establishing or modifying case files other than updating cash balance for payments received (Case Management System or manual records).
 - f. Receiving and disbursing money.
 - g. Receiving money and preparing cash settlement reports.
 - h. Receiving money and preparing bank reconciliations.
 - i. Receiving payments by mail and establishing or modifying case files (Case Management System or manual records).
 - j. Maintaining detailed accounts payable records and reconciling bank statements.
 - k. Approving or recording time records and preparing payroll.
 - l. Processing accounts payable and having any accounts payable check access.
 - m. Preparing payroll and updating information in the personnel master files.
 - n. Processing payroll and reconciling bank statements.
3. For tasks associated with bank accounts, the same person should not perform more than one of the following types of duties:
- a. Receiving and depositing remittances.
 - b. Inputting receipts information.

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- c. Authorizing disbursements.¹
 - d. Controlling check stock.
 - e. Preparing checks.
 - f. Operating a check signing machine.
 - g. Signing checks or comparing machine-signed checks with authorizations and supporting documents.
 - h. Reconciling bank accounts and posting the general ledger or any subsidiary ledger affected by cash transactions, and/or reconciling system input to output.
4. If segregation of duties cannot be achieved due to staffing limitations, court management must apply alternate control methods to mitigate the risks. Work processes should be carefully reviewed to determine the critical points where segregation of duties must be implemented, considering the staff resources that are available. As an example, if one individual handles all phases of the cash collection process (i.e., collecting cash, preparing bank deposits and updating the case files), then another employee should be made responsible for depositing the cash in the bank. Additional review and reconciliation of the case files by supervisors or higher levels of management might also be performed on a routine basis.
5. Alternative procedures must be documented, incorporated into the local trial court manual, and distributed to court personnel. However, any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual or your county's policy document, must be approved by the AOC prior to its implementation. Alternative procedures will be

¹ In computerized systems, initiation, approval, and the input of disbursement information to the system should be performed by different people.

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reviewed by the AOC's Internal Audit and Trial Court Fiscal Services units. Undocumented procedures or those not approved by the AOC will not be considered valid for audit purposes.

6.4.3 Budgets

1. **Control Objectives.** To establish and manage a budget that makes efficient, effective use of trial court resources and conforms to the program, element, component, task (PECT) structure required by the AOC. To monitor and control the budget so that expenditures do not exceed budgeted amounts.
2. **Requirements.** The trial court shall:
 - a. Develop its Baseline Budget in accordance with the annual Baseline Budget Development Package issued by the AOC.
 - b. Develop Budget Change Requests for submission to the Judicial Council in accordance with the budget schedule, guidelines, and Judicial Council priorities set forth in the annual Budget Change Request Package issued by the AOC.
 - c. Prepare, manage and report budget information on a programmatic basis according to the PECT budget structure established by the AOC.
 - d. Prepare and submit Quarterly Financial Statements (QFS) and Reports of Revenue (ROR) summarizing revenues and expenditures to the AOC. The QFS shall be prepared in the form and submitted according to the schedule approved by the Judicial Council.
 - e. Submit information required for preparation of the Comprehensive Annual Financial Report to the AOC according to the form and schedule approved by the Judicial Council.
 - i. Monitor its budget on a regular basis for each program element and budget line item as follows:

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- ii. Actual expenditures incurred for the previous month.
- iii. Expenditures incurred for the fiscal year-to-date.
- iv. The variance between the year-to-date actual and budgeted expenditures.
- f. The remaining balance for each program element and line item.
- g. Analyze cash flow needs for the current month and project cash flow for the remainder of the fiscal year.
- h. Prepare budget revisions to reflect any additional or amended allocations from the Judicial Council or other sources and report these revisions as part of the QFS. Budget revisions are reported at the task and summary object of expenditure levels.
- i. Assure that transfers of funds between Trial Court Operations Fund program items do not exceed the established cumulative limitation of \$400,000 or ten percent; whichever is less, of the affected program, element or component.
- j. Notify the AOC Finance Division in writing of any requests to exceed the established fund transfer threshold. The AOC will review the request and respond (approve/deny) within 30 days of receipt.
- k. Assure that any transfer of funds between program items or objects of expenditure is reported in the QFS for the quarter during which the transfer was made.
- l. Assure that any funds received through the Budget Change Request process are used for the purpose requested. Such funds are not eligible to be transferred between program areas.
- m. Provide written notification to the Finance Division of the AOC in the unlikely event that the trial court projects that its budget will be exhausted before the end of the fiscal year.

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6.4.4 Bank Accounts

1. **Control Objectives.** To establish the conditions and operational controls under which the trial court may maintain funds outside the county treasury.
2. **Requirements.** The trial court shall:
 - a. Obtain Judicial Council approval before opening or closing any bank account. Trial court requests to open or close any bank account must be signed by the Presiding Judge and the Court Executive Officer.
 - b. Assure that court banking relationships do not create any conflict of interest with court judges, officers, or any other employee.
 - c. Assure that any bank where the trial court opens an account is “well capitalized” as defined by federal statute and has received an “unqualified” opinion on its most recent financial statements from an independent auditor.
 - d. Keep detailed records for all money received in trust (e.g., bail, litigation deposits, jury fee deposits, payments on judgments, etc.).
 - e. Provide for the safety and security of trial court employees and funds when making bank deposits.¹
 - f. Endorse all checks, warrants, money orders, and other negotiable instruments immediately upon receipt.
 - g. Make all disbursements by check or electronic transfer, except for petty cash disbursements.

¹ State Administrative Manual, Section 8032.4 requires that deposits of coin and currency greater than \$3,000 be made by two employees.

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- h. Require two authorized signatures on all checks for more than \$15,000, except for checks made payable to the State Treasurer or another state agency.
- i. Record all checks issued in a check register.
- j. Keep all check stock under locked control. Keep working check stock separate from long-term check stock. Record the receipt and transfer of check stock in a register documented by the signatures of two authorized employees.
- k. Reconcile all bank accounts monthly. Both the employee who prepares the reconciliation and the employee who reviews and approves shall sign and date it.
- l. Send one copy of the trial court fiscal year end (June 30) bank reconciliation to the AOC Fiscal Services Manager by no later than August 15.

6.4.5 Cash Transactions

1. **Control Objectives.** To ensure that all cash collected in the form of fines, fees, penalties, forfeitures, assessments, and restitutions is properly accounted for, deposited and recorded.
2. **Requirements.** The trial court shall:
 - a. Designate specific responsibility for custody of cash funds during the workday and for securing cash in a safe, vault, or other secure storage place overnight.
 - b. Limit cash receiving responsibilities to as few employees (cashiers) as possible.
 - c. Separate cash handling from recordkeeping. Responsibilities for collection and deposit preparation should be segregated from those involving the recording of cash receipts and permanent court record entries.

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- d. Have bank reconciliations prepared by persons not responsible for handling cash.
- e. Record cash receipts immediately if receiving cash by mail.
- f. Require employees to count cash received at the public counter out loud in the presence of the customer.
- g. Provide customers with a receipt and the correct change before money is put in the cash drawer.
- h. Require cashiers to request the assistance of a supervisor if a customer disputes the amount of change tendered at the counter.
- i. Require a supervisor's approval before a cashier returns a disputed amount to a customer.
- j. Require that cashiers be prohibited from handling payments made by relatives or personal friends.
- k. Secure cash receipts in a cash drawer, vault, safe or locked cabinet to which only specifically authorized personnel have access prior to deposit (overnight if necessary).
- l. Assure that cash drawers and change funds are used for official court business only.
- m. Immediately restrictively endorse all checks (e.g., *For deposit only to...*). Checks that are not endorsed on the day they are received must be stored in a secure drawer, vault, safe, or locked cabinet until the next business day.
- n. Require that the appropriate case number be noted on all checks received.
- o. Establish the information that must be pre-printed on a check (name, address,) and the information that must be provided by the customer (driver's license number).
- p. Establish procedures to be followed for checks that are returned to the court due to insufficient funds.

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- q. Obtain Judicial Council approval prior to accepting credit card or debit card payments as provided under California Rule of Court 6.703.
- r. Enter into a contract with one or more credit or debit card issuers, or participate in a Judicial Council master agreement prior to accepting credit card or debit card payments.
- s. Assure that credit card payments accepted on behalf of the county are not commingled with trial court funds.
- t. The trial court may accept the following types of payments by credit card or debit card:
 - i. Bail deposits for any offense that is not a felony or any court-ordered fee or fine.²
 - ii. Filing fees or other court fees.
- u. Verify that any credit card or debit card used for payment is current and is issued in the name of the customer making the payment.
- v. Verify the validity of the payment with the credit card or debit card company electronically or by telephone before the payment is accepted.
- w. Acknowledge all payments to the court with a printed, sequentially numbered receipt containing at least the following information:
 - i. Receipt number
 - ii. Date of payment
 - iii. Case number
 - iv. Amount received
- x. Periodically monitor receipt sequence numbers to identify gaps and assure that all receipts are accounted for.

² Government Code 6159 (b) (1)

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- y. Require that a supervisor approve all voided transactions. All voided receipts should be retained, not destroyed.
- z. Require the following with respect to daily cash drawer opening, balancing and closing:
 - i. Each cashier shall count and verify the beginning daily cash drawer balance.
 - ii. Each cashier shall balance and close-out his or her own cash drawer at the end of the day. This includes preparing and signing the daily report, attaching a calculator tape for checks received, and turning in the report, money collected and cash drawer to a supervisor.
 - iii. Any cash shortages or overages shall be reported using the appropriate form, signed by the cashier and turned in to the supervisor with the daily cash report.
 - iv. Supervisors shall monitor shortages and overages for patterns requiring further attention.

6.4.6 Payments Received Through the Mail

1. **Control Objectives.** To process all payments received through the mail on the same day they are received or as soon as possible. To handle mailed-in payments with the same degree of control as payments made by customers in-person.
2. **Requirements.** The trial court shall:
 - a. Use two-person teams to open the mail.
 - b. Only process mail when both team members are present.
 - c. Regularly rotate two-person team combinations.
 - d. Deliver the payments received through the mail to a designated cashier for entry into the accounting system.

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- e. Process payments received in the mail on the day they are received or as soon as possible. Checks that are not processed on the day they are received must be stored in a secure drawer, vault, safe, or locked cabinet until the next business day.
- f. Return a receipt for a payment received in the mail to the customer only if a stamped, self-addressed envelope is included with the payment.
- g. Periodically monitor receipt sequence numbers for payments received in the mail to assure that identify gaps and assure that all receipts are accounted for.

6.4.7 Handling of Counterfeit Currency

1. **Control Objectives.** To prevent the acceptance of counterfeit currency as payment for fees, fines, penalties, forfeitures, etc., and to remove it from circulation.
2. **Requirements.** The trial court shall:
 - a. Provide new hire and annual training in handling counterfeit currency to cashiering staff.
 - b. Test all \$50 and \$100 bills received for possible forgery. Twenty dollar bills may also be tested.
 - c. Confiscate all suspected counterfeit currency and accept another form of payment from the customer.
 - d. Notify the United States Secret Service and complete required paperwork in the event that counterfeit currency is identified.

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6.4.8 Case Management System

1. **Control Objectives.** To assign a unique case number to every case and to enter the case number into a uniform numbering system.
2. **Requirements.** The trial court shall:
 - a. Employ a system that assigns a unique case number to track the status of each case.
 - b. Separate the duties of employees who enter cases into the system from those who receive payments.

6.4.9 Purchasing

1. **Control Objectives.** To follow procurement practices that provide clear documentation and accountability for all purchases.
2. **Requirements.** The trial court shall:
 - a. Observe standards of conduct that prevent preferential treatment and avoid conflicts of interest.
 - b. Initiate all procurement actions with a written or electronic requisition that is properly approved by an authorized court employee.
 - c. Require at least three telephone bids from qualified vendors for all **Micro purchases** (suggested for purchases of greater than \$500 and up to \$2,500). The telephone bids must be confirmed by fax or email. Procurements are awarded to the vendor with the best price.
 - d. Execute all micro purchases with either a purchase card or purchase order.
 - e. Require at least three written quotations from qualified vendors for all **Small purchases** (suggested for purchases of greater

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than \$2,500 and up to \$10,000) in response to a written or electronic court requisition. Procurements are awarded to the vendor with the best price.

- f. Execute all small purchases with either a purchase order or a contract.
- g. Require competitive procurements for amounts greater than a suggested value of \$10,000. Reasonable efforts such as advertising in the California State Contracts Register and/or other publications shall be made to obtain responses to the court's written Request for Quote, Request for Proposal, or Invitation for Bid from at least three qualified vendors. If fewer than three responses are received, the appropriateness and reasonableness of the winning response must be justified. The names and addresses of the firms or individuals solicited for the procurement must be documented. Procurements are awarded to the lowest responsible, responsive bidder.
- h. Promptly consider all properly lodged protests regarding competitive solicitations.
- i. Execute all competitive procurements executed with either a purchase order or contract.
- j. Prevent procurements from being divided to circumvent the dollar value thresholds for micro-purchases, small purchases and competitive procurements.
- k. Provide documentation to support payment for procured goods and services including a three-point match between the purchase order, proof of receipt and acceptance, and the vendor's invoice.
- l. Segregate the duties of employees involved in procurement so that the same person does not perform more than two of the following activities:
 - v. Approve a purchase requisition and perform the purchasing function (choose the vendor, decide on the price, issue the

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purchase order) or use a purchase card to pay for the transaction.

- vi. Perform the purchasing function (choose the vendor, decide on the price, issue the purchase order) and approve or process the invoice for payment.
- vii. Perform the purchasing function (choose the vendor, decide on the price, issue the purchase order), perform accounts payable, authorize vendor payment, or process accounts payable, and maintain the vendor master file (establish new vendors and update vendor information).
- l. Create and maintain procurement files that provide a fully documented audit trail for each purchase, from requisition through delivery of goods. Contract files must also contain post-award correspondence, and documentation of modifications, changes, claims, settlements, terminations and closeout.
- m. Avoid **sole source procurements** except when award under competitive procedures is deemed infeasible due to public emergency, inadequate competition; when there is only one source of the required goods or services; or when the contract is for legal services that are not subject to competitive procurement practices. Sole source procurements must be carefully and thoroughly documented.
- n. Alternative procedures (e.g., purchasing thresholds other than those suggested in these procedures) must be documented, incorporated into the local trial court manual, and distributed to court personnel. However, any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual or your county's policy document, must be approved by the AOC prior to its implementation. Alternative procedures will be reviewed by the AOC's Internal Audit and Trial Court Fiscal Services units.

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Undocumented procedures or those not approved by the AOC will not be considered valid for audit purposes.

- o. Implement the following controls when **blanket purchase orders** (BPOs) or **Master Agreements** are used:
 - i. Award BPOs and master agreements using appropriate procurement methods.
 - ii. State the types of goods (for BPOs) and services (for master agreements) that may be procured under the BPO or agreement.
 - iii. Specify a price list or rate schedule for the goods and/or services that are to be procured.
 - iv. Establish a specific expiration date for the BPO or master agreement.
 - v. A maximum dollar amount shall be established to limit the total value of goods and services that may be procured over the term of the BPO or master agreement.
 - vi. State that there is no guarantee that a minimum number of orders will be placed or that a minimum dollar value of goods or services will be purchased under the BPO or master agreement.
 - vii. State any restrictions on the types of goods or services that may be purchased under the BPO or master agreement.
 - viii. Establish the trial court employees who are authorized to procure goods or services under the BPO or master agreement, and the information that is required to place an order.
 - ix. A maximum dollar amount per order may be established, if desired.
 - x. Establish invoicing requirements for goods and services under the BPO or master agreement.

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- xi. Adequate records must be maintained to ensure that the cumulative value of all orders placed against a BPO does not exceed the BPO maximum amount.
- p. Implement the following controls for the use of **purchase cards**:
 - i. Distribution of purchase cards shall be limited to as few employees as possible and to those with a verifiable and frequent need for a purchase card.
 - ii. Purchase cards may be used to procure goods and services with a maximum suggested value of \$2,500 (the micro-purchase maximum). State issued purchase cards may not be used to pay for individual trial court employee travel expenses. County-issued purchase cards may be used to pay for individual travel if this practice is authorized by the county.
 - iii. A suggested daily dollar maximum of \$5,000 for purchase card use shall also be set.
 - iv. Purchase cards may not be used to circumvent established procurement procedures.
 - v. If purchase card statements are sent to individual cardholders, each individual shall reconcile receipts for card purchases with their monthly activity statement and forward the documentation to accounts payable each month. If the court receives a master purchase card statement, the accounts payable department will reconcile the monthly statement with receipts submitted by purchase cardholders.
 - vi. Alternative procedures (e.g., purchase card limits other than those suggested in these procedures) must be documented, incorporated into the local trial court manual, and distributed to court personnel. However, any alternative procedure that is different from what is included in the Trial Court Financial Policies and Procedures Manual or your county's policy

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document, must be approved by the AOC prior to its implementation. Alternative procedures will be reviewed by the AOC's Internal Audit and Trial Court Fiscal Services units. Undocumented procedures or those not approved by the AOC will not be considered valid for audit purposes.

6.4.10 Use of Department of General Services Charge Cards

1. **Control Objectives.** To control the distribution of Department of General Services (DGS) charge cards and assure their appropriate use by authorized trial court employees.
2. **Requirements.** The trial court shall:
 - a. Assure that the use of DGS charge cards is limited to official court business.
 - b. Record the recipient's name, card number, and the date of distribution for each card. The Court Executive Officer shall designate the employees to whom DGS cards may be issued.
 - c. Assure that temporarily issued cards are returned on a timely basis.
 - d. Safeguard any cards that are not issued to employees.
 - e. Report any lost or stolen card to DGS immediately.

6.4.11 Court Security

1. **Control Objectives.** To assure that the trial court develops a comprehensive Court Security Plan pursuant to Judicial Council direction and that all costs associated with the plan are allowable under Government Code §69921 through §69925.

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2. Requirements. The trial court shall:

- a. Develop a Comprehensive Court Security Plan pursuant to Judicial Council Direction and requirements. The plan shall include the sheriff's Law Enforcement Security Plan.
- b. Complete the Contract Law Enforcement Template to account for allowable court security costs as defined in Government Code 69927(a)(3) through (a)(6).
- c. Submit the Comprehensive Court Security Plan to the Judicial Council for review.
- d. Enter a memorandum of understanding with the sheriff regarding the implementation of the Comprehensive Court Security Plan that specifies the level of security services to be provided and their associated costs.

6.4.12 Grant Accounting and Administration

1. **Control Objectives.** To control and account for all grant-related cash, real and personal property and other assets, and to assure they are used only for authorized purposes.

2. Requirements. The trial court shall:

- a. Classify grant funds as Special Revenue Funds.
- b. Establish a separate budget for each grant to allow the tracking of grant revenues and expenditures and facilitate the preparation of financial and performance reports.
- c. Maintain records and supporting documentation to adequately identify the sources and applications of grant funds.

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6.4.13 Accounts Payable

1. **Control Objectives.** To process and pay vendor invoices and claims in a timely fashion according to the terms and conditions of the purchase agreements and contracts. To assure that all invoices and claims are supported by appropriate documentation and approved for payment by authorized court employees.
2. **Requirements.** The trial court shall:
 - a. Direct all vendors to submit invoices to a designated accounts payable location for processing.
 - b. Date stamp all invoices upon receipt by Accounts Payable.
 - c. Require that all claims for payment of services such as court-appointed counsel, experts, investigators, or interpreters are submitted on a court-approved form and accompanied by a copy of the court authorization for the services provided, if necessary.
 - d. Require that individuals and firms submitting claims for court-appointed services file claims for payment within a reasonable period after services are rendered.
 - e. Establish the dollar limits and the scope of authority of employees authorized to approve invoice payment. An authorization matrix will be kept on file by the trial court, indicating employees' approval limits. The approval matrix will be updated no less than annually. The approval matrix will also be provided to the organization that issues payment (county, outsourced service provider, etc.).
 - f. Perform a three-point match of the purchase agreement, invoice and proof of receipt and acceptance of goods or services prior to payment.
 - g. Require that authorized employees review each invoice for appropriateness, accuracy and reasonableness. Invoices shall

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be signed and dated by the trial court employee responsible for monitoring the work or accepting goods.

6.4.14 Petty Cash

1. **Control Objectives.** To assure the appropriate use and accounting of trial court petty cash funds.
2. **Requirements.** The trial court shall:
 - a. Establish one or more petty cash funds based upon demonstrated need.
 - b. Appoint a petty cash fund custodian approved by the Court Executive Officer for each petty cash fund.
 - c. Limit the amount of petty cash funds to \$200, except where specific conditions merit a larger amount. No petty cash fund may exceed \$750.
 - d. Limit petty cash disbursements to a maximum of \$50.
 - e. Limit the use of petty cash funds to authorized disbursements.
 - f. Require purchase receipts for the reimbursement of petty cash funds. Reimbursement requests must be approved by the Court Fiscal Officer or his or her designee.
 - g. Conduct audits of petty cash funds on a periodic basis.
 - h. Document changes in petty cash custodians and require the Court Fiscal Officer or his or her designee to approve.

6.4.15 Reimbursement of Travel Expenses for Judges and Employees

1. **Control Objectives.** To reimburse judges and employees for reasonable travel expenses incurred in the course of court

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business in a timely fashion upon submittal of appropriate documentation.

2. Requirements. The trial court shall:

- a. Reimburse judge and employee travel expenses according to the AOC's travel rate guidelines. The travel rate guidelines may be obtained from the Serranus Web site and should be communicated to all court staff prior to implementation.
- b. Require all judges and employees traveling on court business to obtain the appropriate approval prior to making travel arrangements.
- c. Make arrangements for travel on court business through the court's designated travel planner.
- d. Require receipts documenting business travel expenses to be submitted with claims for reimbursement for all lodging, air travel, rental cars, and other expenses as defined in the travel rate guidelines.
- e. Require judges and employees seeking reimbursement of travel expenses to submit a completed and signed travel reimbursement claim form for management approval.

6.4.16 Accounting Records

1. **Control Objectives.** To retain financial and accounting records in compliance with statutory requirements. To retain records so that they are accessible, auditable and make efficient use of available storage space.

2. Requirements. The trial court shall:

- a. Retain monthly cash settlement statements that account for the collection of money by the trial court for the current fiscal year plus four additional years.

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- b. Retain claims and warrants for five years unless they have been reproduced for permanent retention. Upon the expiration of the five-year retention period, claims and warrants may be destroyed. Any index or warrant register must also be maintained for a period of five years, after which it may be destroyed.
- c. Retain inventory records for a period of five years.
- d. Retain deposit certificates for five years. Original certificates may be destroyed after one year if they are permanently reproduced and the copies are retained for five years after the date of the documents.
- e. Retain receipts issued for money received by the court for a period of five years.
- f. Retain bank account records for audit purposes for a period of five years or until approval for destruction has been given by the County Auditor/Controller and the State Controller, whichever occurs first.
- g. Retain purchase requisitions for three years. Purchase requisitions do not need to be reproduced for permanent retention.
- h. The trial court will retain financial records, supporting documents, and other records pertinent to grants for a period of three years after submittal of the final grant expenditure report.
- i. Financial documents including, but not limited to, Quarterly Financial Statements, annual financial reports, audit reports, etc. shall be retained for five years.
- j. Maintain the integrity, reliability, and security of original computer data that it is required to retain. The trial court shall not destroy, discard, delete, or write over such computer data during the prescribed record retention period.

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- k. The trial court shall develop and implement an effective indexing and filing system to facilitate the timely and convenient identification and retrieval of retained financial and business records.

6.4.17 Court Assets

1. **Control Objectives.** To provide guidelines for the trial court to use in acquiring, capitalizing, monitoring, and disposing of fixed assets.
2. **Requirements.** The trial court shall establish and maintain a fixed asset management system to record, control, and report all court assets that incorporates the following controls:
 - a. A detailed and up-to-date listing of inventory items (items with a value of more than \$1,000 and less than \$5,000 and an anticipated useful life of more than one year) that includes item descriptions, unit prices and quantities on hand. The court may also include items that are particularly susceptible to loss or theft that have a value of less than \$1,000 (cellular telephones, computer equipment, etc.).
 - b. A periodic physical inventory to account for inventory items. An annual inventory is recommended, an inventory must be prepared no less than every three years.
 - c. A Fixed Asset Management System that contains the following information for items valued at \$5,000 or more with an anticipated useful life of more than one year:
 - i. Item description.
 - ii. Date of acquisition.
 - iii. Value.
 - iv. Estimated useful life.

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- v. Salvage value.
 - vi. Method of depreciation (if applicable).
 - vii. Current period depreciation expense (if applicable).
 - viii. Accumulated depreciation.
 - ix. Remaining balance.
- d. The use of identification tags bearing unique identification numbers. An identification tag shall be affixed to all items with a purchase cost of \$500 or more and a useful life greater than one year. Identification tags shall also be affixed to any other items the court deems appropriate to monitor, such as computer monitors, video equipment, etc. Identification numbers shall be recorded in an Identification Number Register.
- e. The assignment of all tag bearing assets to a specific court unit or location. Each court unit and location shall maintain a Record of Physical Inventory listing the tagged assets assigned to it. A copy of the Record of Physical Inventory shall also be maintained by the Presiding Judge or another designated court employee for control purposes.
- f. A periodic physical inventory of fixed assets (an annual inventory is recommended, an inventory must be performed no less than every three years). The periodic inventory shall be reconciled against the court's inventory records to assure that all assets are accounted for and that the Fixed Asset Management System is up to date.
- g. Recording of fixed asset transfers and disposal in the Fixed Asset Management System. Fixed asset and technology equipment transfers and disposals must meet the requirements of California Rule of Court 6.709.

7.0 Associated Documents